






DETAILS CAN BE FOUND ON  
[WWW.FINANCIALDIARIES.COM](http://WWW.FINANCIALDIARIES.COM)

## INVESTIGATING THE FINANCIAL LIVES OF THE POOR

### SAMPLE OVERVIEW: Who are the Financial Diaries households?

#### KEY POINTS:

-  The Financial Diaries data set is based on a sample of 166 households, drawn from three different areas (Langa, Lugangeni and Diepsloot), from a range of dwelling types and wealth categories.
-  Over 40% of households in rural Lugangeni had income less than R1000 per month while the majority of urban and peri-urban households received income of R2000 - R5000 per month.
-  The percent of households living below R200 per month per member was 25% in Lugangeni, 0% in Langa and 4% in Diepsloot.



This overview describes the sampling process and provides an overview of basic financial data for the Financial Diaries households. The Financial Diaries study establishes a comprehensive picture of the financial inflows and outflows of poor households by gathering daily data on income, consumption, savings, lending and investment. This was achieved with records of household transactions by means of year-long, bi-monthly interviews with a sample of poor households that recorded cash flows over the previous two week period.

The demands of collecting daily detailed cash flows required that the sample size be smaller than a nationally representative survey. However, the level of detail is much greater than is possible in larger surveys and serves as a rich complement to the information available from larger data bases. We concentrated on three different areas that were previously an African homeland or African township areas.





## SAMPLING METHOD

The goal of the Financial Diaries study is to examine how the poor manage their money. Because we would be working with households for over a year, the choice of the three Financial Diaries survey areas was based on a fine line between areas that had a large number of low income households<sup>1</sup> and those where the community welcomed us with minimum suspicion and a degree of cooperation. With each community we looked at, we met with ward councillors, the development forum of the area, and we engaged with the street committees within the specific areas we worked. Each area covered different dwelling types: settlement shacks, houses, backyard shacks, flats and rural compounds.

We also wanted a stratified sample across different levels of wealth. To do this, we relied on the participatory wealth ranking method followed by the Small Enterprise Foundation (SEF), one of South Africa's largest NGO microlenders. The wealth ranking provided us with a spectrum of relative wealth for each neighbourhood. We randomly chose households across different wealth rankings.



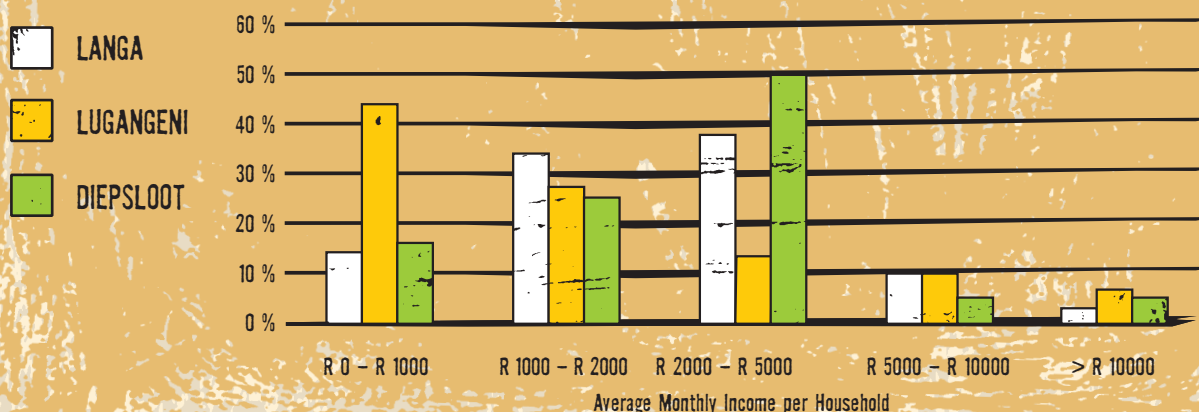
## OVERVIEW OF THE FINANCIAL DIARIES SAMPLE

### MONTHLY INCOME PER HOUSEHOLD

As the chart below shows, most of Financial Diaries households have monthly incomes below R5000 per month, but the income distributions for each area differ widely. In Langa and in Diepsloot, three quarters of the households have monthly incomes between R1000–R5000, while only 15% have monthly incomes below R1000. In rural Lugangeni, on the other hand, nearly 45% of the households have income levels below R1000 per month. This is even

more striking when one considers that this definition of income takes into account all non-financial income that a household might receive, including remittances from relatives living elsewhere, business profits, rental income as well as regular and casual wages, grants and pension income.

**Average Monthly Household Income Distributions\***  
(% of households in each area)



\* Income includes regular wages, grants, remittances, business profits, casual wages, rental income, pensions and UIF.



<sup>1</sup> Using the 2001 South African census data.



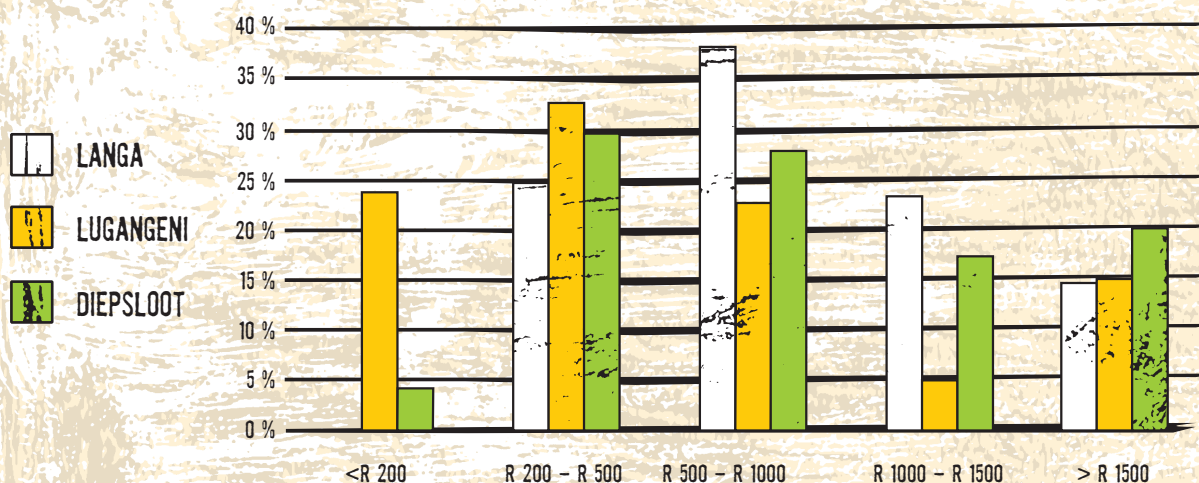
## MONTHLY INCOME PER HOUSEHOLD MEMBER

This picture becomes more pronounced when looking at monthly income per household members. The United Nations Millennium Development Goals suggest that it is key to assess those living below the threshold of \$1 per person per day. The fluctuating rand/dollar exchange rate makes it difficult to determine a clear lower boundary in rand terms for the Financial Diaries households. We chose to set our lowest bracket at R200 per month or less, which is roughly \$1 per day at an average exchange rate of R6.40 per U.S.\$.

This is clearly a very low lower band and households falling into this bracket would definitely be categorized as poor according to any of the conventional South African poverty lines.

Not only do rural households receive less income as a whole, they also tend to have more members. Whereas the average household size in the urban and peri-urban samples is about three, the average household size in the rural sample is just over five. As a result, a far larger proportion of households in the rural sample of Lugengeni (close to 25%) fall within an income per member range of less than R200 per month than in the urban areas (0% and 4%, respectively, in Langa and Diepsloot).

Average Monthly Income\* per Household Member  
(% of households in each area)



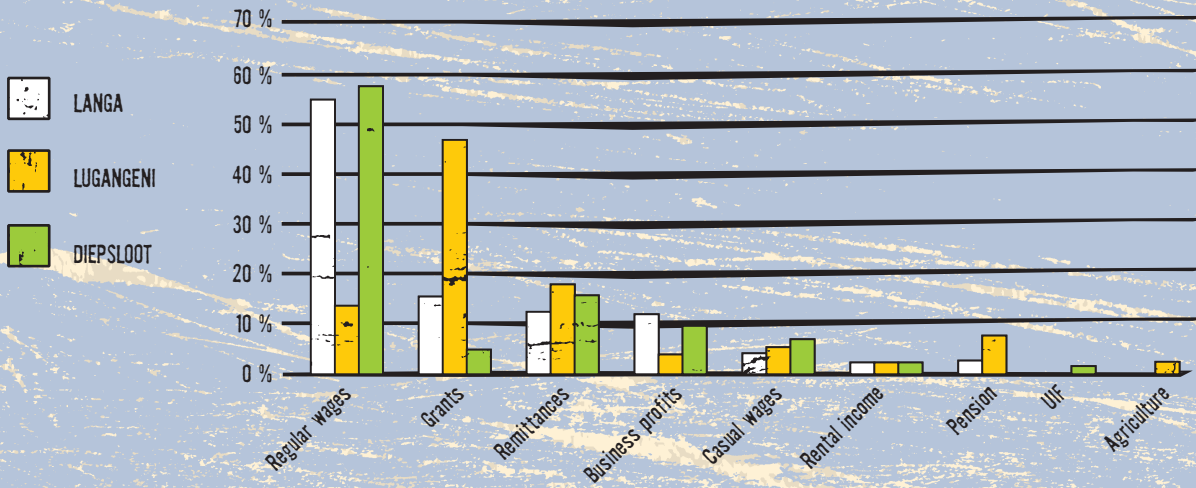
\* Income includes regular wages, grants, remittances, business profits, casual wages, rental income, pensions and UIF.





## SOURCES OF INCOME

Sources of Income  
(% of average monthly household income)



Another key difference between the rural and urban samples of the Financial Diaries is the source of income. On average, a rural household relies on government grants for 48% of their household income. Another 19% comes from remittances from relatives, while 15% comes from regular jobs. In Diepsloot, on the other hand, 60% of household income, on average, comes from regular jobs, while only 5% of income is from grants. In Langa, income

from regular jobs accounts for 55% of the average household income, while grants account for 15% of average monthly income. Self-employment is a distant 10% of household income in the urban and peri-urban areas, while in Lugangeni, self-employment income registers a meagre 3% of household income.



DETAILS CAN BE FOUND ON  
[www.financialdiaries.com](http://www.financialdiaries.com)